BDC
Entrepreneurs first

2016

SECOND QUARTER

FINANCIAL REPORT

September 30, 2015

Canada

EXECUTIVE SUMMARY

The Canadian economy grew slightly in June and July and should complete 2015 with modest growth. Low world commodity prices continue to dampen investment in the energy and mining sectors. As well, other sectors are seeing a decline in investment that may signal a lack of confidence in the economy. On the plus side, Canadian exports rebounded this summer, thanks largely to a stronger U.S. economy and a weaker Canadian dollar. Demand for our exports should continue to be robust for the rest of this year and this will be the key economic driver for Canada. Finally, strong employment numbers have led to a significant rise in consumer spending. Full-time employment has jumped by 120,000 jobs since the beginning of the year and by 200,000 over the last 12 months.

Business lending continues at a strong pace but is showing signs of slowing down. As of August 2015, total business credit had increased by 7.7% over 12 months, by 4.4% over three months and by 2.4% over one month. Short-term credit from chartered banks increased by 3.6% over three months but declined in August by 3.6%.[1] Long-term credit from chartered banks increased during the same period.

Looking forward, the Canadian economy is on track for modest growth throughout 2015. The International Monetary Fund (IMF) just revised its GDP forecast for Canada downward from 1.5% to 1.0%. The Consensus Survey is projecting growth of 1.1% for 2015. However, the outlook is uneven across the country.

The oil-producing provinces (Alberta, Saskatchewan, and Newfoundland and Labrador) are feeling the brunt of declining investment triggered by sharply falling commodity prices. These provinces will likely record negative or zero growth this year.

On the other hand, a growth spurt in manufacturing combined with higher exports to the U.S. will be a boon to the economies of Quebec, Ontario, Manitoba and British Columbia. These provinces will experience stronger growth in 2015.

In this context, BDC works to ensure that small and medium-sized businesses have the support they need to grow and succeed. Clients of Financing[2] accepted $1.2 billion in loans this quarter, the same amount as last year.

As at September 30, 2015, Financing's[2] loan portfolio, before allowance for credit losses, stood at $19.5 billion, a 3.2% increase since March 31, 2015.

BDC continued to focus on small loans while also meeting the need for larger loans, notably by medium-sized businesses, and participating in financial transactions with other financial institutions. During the quarter, 3,088 clients of Financing and Growth & Transition Capital accepted loans of $500,000 or less for a total of $278.7 million, compared to 1,989 clients and $210.0 million for the same period last year. For the six months ended September 30, 2015, 5,672 clients accepted loans of $500,000 or less for a total of $534.9 million, compared to 4,052 clients and $425.5 million last year.

---

(1) Source of data in this paragraph: Bank of Canada.

(2) Unless otherwise indicated, Financing excludes Growth & Transition Capital.

The Business Development Bank of Canada (BDC) is a Crown corporation wholly owned by the Government of Canada.

Our mission is to help create and develop Canadian businesses through financing, venture capital and consulting services, with a focus on small and medium-sized enterprises.

When entrepreneurs succeed, they make an irreplaceable contribution to Canada's economy. Supporting them is in our national interest.

Growth & Transition Capital continued to support the growth plans of Canadian entrepreneurs through its diverse product offerings, with clients accepting $59.8 million in financing in the second quarter, for a total of $120.8 million for the six-month period, compared to $58.1 million and $92.7 million, respectively, for the same periods last year.

To support innovative Canadian companies and create the conditions for success in the venture capital ecosystem, Venture Capital authorized investments totalling $37.7 million in the second quarter, compared to $30.1 million in the same period last year. For the six-month period ended September 30, a total of $93.2 million was authorized, compared to $70.3 million in the same period last year.

BDC Capital's Strategic Investments and Partnerships (SIP) team continued to develop initiatives to support key areas of the venture capital ecosystem. It makes investments in specialized funds, accelerators and graduates of accelerators. As at September 30, 2015, the SIP team had invested in 136 start-ups, representing $22.0 million.

During the quarter, BDC continued the deployment of the Venture Capital Action Plan (VCAP), a federal government initiative to invest $400 million to increase private-sector venture capital financing for high-potential, innovative Canadian businesses. VCAP authorized $15.0 million in investments during the second quarter, for a total of $25.9 million for the six-month period ended September 30, 2015. VCAP continued to show strong momentum; the funds of funds have raised a total of $1.1 billion to date. As at September 30, 2015, the total VCAP portfolio stood at $83.6 million, compared to $47.6 million as at March 31, 2015.

BDC is maintaining its role in the securitization market, where small and medium-sized enterprises (SMEs) access financing for the vehicles and equipment they need to improve productivity. As at September 30, total asset-backed securities stood at $499.4 million, compared to $407.7 million as at March 31. For the six-month period ended September 30, 2015, disbursements totalled $196.2 million, compared to $107.7 million for the same period last year.

During the second quarter, BDC's newly created unit called BDC Advantage continued to build a team of experts dedicated to helping high-impact firms and to offer a full range of non-financial services to entrepreneurs, together with its existing Consulting business.

In the second quarter of fiscal 2016, BDC posted consolidated net income of $140.8 million,[3] compared to $137.1 million[3] for the same period last year. The increase was mostly attributable to lower net realized losses on subordinate financing investments. Net income for the first half of fiscal 2016 was $311.8 million,[4] $53.0 million higher than the $258.8[4] million recorded last year.

For the quarter, consolidated total comprehensive income was $116.9 million, compared to $102.8 million for the same period last year. The decrease in other comprehensive loss was mostly due to lower remeasurement loss on the net defined benefit asset or liability. Refer to the consolidated comprehensive income section for further information. For the six-month period, total comprehensive income was $359.8 million, compared to $197.7 million for the same period last year.

During the second quarter, BDC signed an agreement to provide the Laurentian Bank of Canada with a guarantee on a portfolio of commercial equipment financing of up to $300 million that will focus mainly on the manufacturing, oil and gas, and forestry sectors. Through this Portfolio Guarantee Program, BDC will indirectly increase its reach and provide SMEs with more access to capital.

---

(3) Including $2.0 million and $1.3 million in net loss attributable to non-controlling interests for fiscal 2016 and 2015, respectively.

(4) Including $1.3 million and $1.0 million in net loss attributable to non-controlling interests for fiscal 2016 and 2015, respectively.

In August, BDC signed a partnership agreement with Futurpreneur Canada and the Royal Bank of Canada (RBC). This will allow Futurpreneur Canada to provide more loans to aspiring young entrepreneurs. The partnership involves RBC extending a $20 million line of credit 100% guaranteed by BDC so Futurpreneur Canada can borrow a portion of the loan capital it provides to young entrepreneurs.

TABLE OF CONTENTS

6 Management Discussion and Analysis

- 6 Context of the Quarterly Financial Report
- 6 Risk Management
- 7 Analysis of Financial Results

17 Consolidated Financial Statements

From time to time, we make written or oral forward-looking statements. We may make forward-looking statements in this quarterly financial report. These forward-looking statements include, but are not limited to, statements about objectives and strategies for achieving objectives, as well as statements about outlooks, plans, expectations, anticipations, estimates and intentions.

By their very nature, forward-looking statements involve numerous factors and assumptions, and they are subject to inherent risks and uncertainties, both general and specific. These uncertainties give rise to the possibility that predictions, forecasts, projections and other elements of forward-looking statements will not be achieved. A number of important factors could cause actual results to differ materially from the expectations expressed.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTEXT OF THE QUARTERLY FINANCIAL REPORT

The *Financial Administration Act* requires that all departments and parent Crown corporations prepare and make public a quarterly financial report. The Standard on Quarterly Financial Reports for Crown Corporations is issued by the Treasury Board of Canada Secretariat to provide parent Crown corporations with the form and content of the quarterly financial report under the authority of section 131.1 of the *Financial Administration Act*. There is no requirement for an audit or review of the financial statements included in the quarterly financial report. Therefore, the condensed quarterly Consolidated Financial Statements included in this report have not been audited or reviewed by an external auditor.

RISK MANAGEMENT

Risk is an inherent feature of the financial sector. BDC uses sound practices of enterprise risk management (ERM).

BDC manages risk through the development and communication of policies; the establishment of formal risk reviews and approval processes; and the establishment of limits and delegation of authorities. The Board of Directors and its Credit and Risk Committee review quarterly ERM reports and monitor the effectiveness of BDC's ERM practices. In each line of business, management ensures that governance activities, controls, processes and procedures are consistent with BDC's sound ERM practices.

No significant changes were made to BDC's ERM practices and no new risks were identified during the quarter ended September 30, 2015.

ANALYSIS OF FINANCIAL RESULTS

Analysis of financial results is provided to enable a reader to assess BDC's results of operations and financial condition for the three-month and the six-month periods ended September 30, 2015, compared to the corresponding periods of the prior fiscal year. This analysis also includes comments about significant variances from BDC's fiscal 2016–20 Corporate Plan, when applicable.

BDC reports on six business segments: Financing, Growth & Transition Capital, Venture Capital, BDC Advantage, Securitization and Venture Capital Action Plan (VCAP). BDC Advantage is a newly created segment that comprises non-financial activities, including Consulting and High-Impact Firms. Refer to BDC Advantage results and Note 12—*Segmented Information* to the financial statements for more information. All amounts are in Canadian dollars, unless otherwise specified, and are based on unaudited condensed quarterly Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS).

This analysis should be read in conjunction with the unaudited condensed quarterly Consolidated Financial Statements included in this report and the audited annual Consolidated Financial Statements in the fiscal 2015 Annual Report.

Consolidated net income

	Three months ended September 30		Six months ended September 30	
($ in millions)	**F2016**	F2015	**F2016**	F2015
Financing	**121.8**	120.8	**243.2**	239.6
Growth & Transition Capital	**16.5**	13.0	**21.6**	16.3
Venture Capital	**11.9**	10.3	**66.1**	15.3
BDC Advantage	**(7.5)**	(5.8)	**(15.0)**	(11.2)
Securitization	**0.6**	1.0	**1.2**	2.0
Venture Capital Action Plan	**(2.5)**	(2.2)	**(5.3)**	(3.2)
Net income	**140.8**	137.1	**311.8**	258.8
Net income attributable to:				
BDC's shareholder	**142.8**	138.4	**313.1**	259.8
Non-controlling interests	**(2.0)**	(1.3)	**(1.3)**	(1.0)
Net income	**140.8**	137.1	**311.8**	258.8

Three months ended September 30

BDC reported consolidated net income of $140.8 million for the second quarter ended September 30, 2015, comprising $142.8 million attributable to BDC's shareholder and a net loss of $2.0 million to non-controlling interests. This compares to $137.1 million in consolidated net income for the second quarter of fiscal 2015, of which a net loss of $1.3 million was attributable to non-controlling interests.

Net income in the second quarter of fiscal 2016 was higher than in the corresponding period of fiscal 2015, due primarily to higher net income from Growth & Transition Capital. Refer to the Growth & Transition Capital section of this analysis for further information.

Six months ended September 30

BDC's consolidated net income was $311.8 million for the six months ended September 30, 2015, which was higher than the $258.8 million recorded for the same period last year.

Currently, BDC expects its consolidated net income for fiscal 2016 to exceed the Corporate Plan target of $423 million.

Consolidated comprehensive income

	Three months ended September 30		Six months ended September 30	
($ in millions)	**F2016**	F2015	**F2016**	F2015
Net income	**140.8**	137.1	**311.8**	258.8
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income				
Net change in unrealized gains (losses) on available-for-sale assets	**(0.8)**	(0.4)	**(1.3)**	(0.9)
Net change in unrealized gains (losses) on cash flow hedges	**0.1**	(0.5)	**(0.9)**	(1.0)
Total items that may be reclassified subsequently to net income	**(0.7)**	(0.9)	**(2.2)**	(1.9)
Items that will not be reclassified to net income				
Remeasurements of net defined benefit asset or liability	**(23.2)**	(33.4)	**50.2**	(59.2)
Other comprehensive income (loss)	**(23.9)**	(34.3)	**48.0**	(61.1)
Total comprehensive income	**116.9**	102.8	**359.8**	197.7
Total comprehensive income attributable to:				
BDC's shareholder	**118.9**	104.1	**361.1**	198.7
Non-controlling interests	**(2.0)**	(1.3)	**(1.3)**	(1.0)
Total comprehensive income	**116.9**	102.8	**359.8**	197.7

Three and six months ended September 30

Consolidated total comprehensive income for the second quarter was $116.9 million, comprising $140.8 million in consolidated net income and $23.9 million in other comprehensive loss. For the six-month period ended September 30, 2015, BDC reported total comprehensive income of $359.8 million, comprising $311.8 million in net income and $48.0 million in other comprehensive income.

BDC recorded other comprehensive loss of $23.9 million and other comprehensive income of $48.0 million, respectively, for the second quarter and the six-month period ended September 30, 2015, compared to other comprehensive loss of $34.3 million and $61.1 million for the same periods last year.

Remeasurements of net defined benefit asset or liability of $23.2 million contributed to the decrease in other comprehensive loss in the second quarter compared to the same period last year. For the most part, these losses were caused by lower returns on pension plan assets, partially offset by higher discount rates used to value the net defined benefit asset or liability.

Financing results

	Three months ended September 30		Six months ended September 30	
($ in millions)	**F2016**	F2015	**F2016**	F2015
Net interest and fee income	**242.4**	223.3	**479.2**	442.7
Provision for credit losses	**(33.5)**	(19.3)	**(61.6)**	(36.7)
Net gains (losses) on other financial instruments	**2.4**	(0.3)	**3.6**	(1.1)
Income before operating and administrative expenses	**211.3**	203.7	**421.2**	404.9
Operating and administrative expenses	**89.5**	82.9	**178.0**	165.3
Net income from Financing	**121.8**	120.8	**243.2**	239.6

	Three months ended September 30		Six months ended September 30	
As % of average portfolio	**F2016**	F2015	**F2016**	F2015
Net interest and fee income	**5.0**	4.9	**5.0**	4.9
Provision for credit losses	**(0.7)**	(0.4)	**(0.6)**	(0.4)
Net gains (losses) on other financial instruments	**-**	-	**-**	-
Income before operating and administrative expenses	**4.3**	4.5	**4.4**	4.5
Operating and administrative expenses	**1.8**	1.8	**1.8**	1.8
Net income from Financing	**2.5**	2.7	**2.6**	2.7

Three and six months ended September 30

Financing's net income was $121.8 million for the second quarter of fiscal 2016 and $243.2 million for the six-month period ended September 30, 2015, compared to $120.8 million and $239.6 million, respectively, for the same periods last year. The increase in profitability was mostly due to higher net interest and fee income, mainly driven by portfolio growth. During the second quarter of fiscal 2016, a $10.0 million provision for collective credit losses was recorded, mainly to reflect the growth of the

portfolio. Despite the increase in the provision for credit losses, the level of losses remained low, at 0.6% of the average portfolio for the six-month period ended September 30, 2015.

Operating and administrative expenses for both the three-month and six-month periods ended September 30, 2015, were higher than those in the corresponding periods last year. This was mainly due to higher staff levels, as BDC has launched an initiative aimed at increasing its presence in Western Canada and Ontario, to ensure that entrepreneurs in these regions are not under-served. However, as a percentage of the average portfolio, operating and administrative expenses were comparable to those in the same period last year.

Growth & Transition Capital results

	Three months ended September 30		Six months ended September 30	
($ in millions)	**F2016**	F2015	**F2016**	F2015
Net revenue on investments	**22.6**	6.3	**42.0**	20.1
Net change in unrealized appreciation (depreciation) of investments	**1.2**	13.0	**(5.8)**	9.1
Income before operating and administrative expenses	**23.8**	19.3	**36.2**	29.2
Operating and administrative expenses	**7.3**	6.3	**14.6**	12.9
Net income from Growth & Transition Capital	**16.5**	13.0	**21.6**	16.3
Net income attributable to:				
BDC's shareholder	**15.8**	12.8	**20.6**	15.6
Non-controlling interests	**0.7**	0.2	**1.0**	0.7
Net income from Growth & Transition Capital	**16.5**	13.0	**21.6**	16.3

Three months ended September 30

Growth & Transition Capital's net income for the second quarter of fiscal 2016 was $16.5 million, compared to net income of $13.0 million for the same period last year.

Net revenue on investments of $22.6 miillion for the second quarter was higher than the $6.3 million recorded last year, mainly due to lower write-offs ($10.9 million), higher realized gains on investments ($2.0 million), higher net interest income ($2.8 million) and higher fee and other income ($0.6 million).

The net change in unrealized appreciation of investments of $1.2 million for the quarter included the following:

- a $0.3 million net fair value appreciation ($1.2 million net fair value appreciation for the same period last year); and

- a reversal of net fair value depreciation due to net realized losses totalling $0.9 million (reversal of net fair value depreciation due to net realized losses of $11.8 million for the same period last year).

Six months ended September 30

For the six months ended September 30, 2015, Growth & Transition Capital recorded net income of $21.6 million, higher than the $16.3 million recorded for the same period last year.

Net revenue on investments was $21.9 million higher than the $20.1 million recorded in the same period last year due to higher net interest income as a result of portfolio growth ($2.8 million), lower fee and other income ($0.3 million), higher realized gains on investments ($1.2 million) and lower write-offs net of recovery ($18.2 million),

The net change in unrealized depreciation of investments of $5.8 million for the six months ended September 30, 2015, included the following:

- a $5.0 million net fair value depreciation ($4.0 million net fair value depreciation for the same period last year); and
- a reversal of net fair value appreciation due to net realized gains totalling $0.8 million (reversal of net fair value depreciation due to net realized losses of $13.1 million for the same period last year).

Operating and administrative expenses amounted to $14.6 million, higher than the $12.9 million recorded last year as a result of higher staff levels required to fully support the growth and transition plans of companies in all areas of Canada.

Venture Capital results

	Three months ended September 30		Six months ended September 30	
($ in millions)	F2016	F2015	F2016	F2015
Net revenue (loss) on investments	14.0	(5.8)	16.9	(5.2)
Net change in unrealized appreciation (depreciation) of investments	(17.5)	19.0	40.2	29.8
Net unrealized foreign exchange gains (losses) on investments	20.8	9.0	19.4	2.8
Net gains (losses) on other financial instruments	(0.4)	(6.7)	(0.1)	(1.7)
Income before operating and administrative expenses	16.9	15.5	76.4	25.7
Operating and administrative expenses	5.0	5.2	10.3	10.4
Net income from Venture Capital	11.9	10.3	66.1	15.3
Net income attributable to:				
BDC's shareholder	14.5	11.8	68.4	17.0
Non-controlling interests	(2.6)	(1.5)	(2.3)	(1.7)
Net income from Venture Capital	11.9	10.3	66.1	15.3

Three months ended September 30

During the second quarter of fiscal 2016, Venture Capital recorded net income of $11.9 million, compared to net income of $10.3 million for the same period last year. The increase in net income was mainly due to higher net revenue on investments and higher net unrealized foreign exchange gains on investments, offset by a decrease in unrealized appreciation of investments.

Net revenue on investments increased by $19.8 million, primarily due to higher net realized gains on investments and lower write-offs.

The net change in unrealized depreciation of investments of $17.5 million was $36.5 million lower than the $19.0 million net change in unrealized appreciation recorded last year and included the following:

- a $9.1 million net fair value depreciation of the portfolio ($14.3 million net fair value appreciation for the same period last year); and
- a reversal of net fair value appreciation on divested investments and write-offs totalling $8.4 million (a reversal of $4.7 million of net fair value depreciation on divested investments and write-offs for the same period last year).

Six months ended September 30

For the six months ended September 30, 2015, Venture Capital recorded net income of $66.1 million, compared to net income of $15.3 million for the same period last year.

Net revenue on investments was $16.9 million for the six months ended September 30, 2015, compared to net loss on investments of $5.2 million for the same period last year.

The net change in unrealized appreciation of investments of $40.2 million for the six-month period ended September 30, 2015, included the following:

- a $46.0 million net fair value appreciation of the portfolio ($24.3 million fair value appreciation for the same period last year); and
- a reversal of net fair value appreciation on divested investments and write-offs totalling $5.8 million (a reversal of $5.5 million of net fair value depreciation for the same period last year).

Net unrealized foreign exchange gains or losses on investments were due to foreign exchange fluctuations on the U.S. dollar. During the third quarter of fiscal 2015, BDC discontinued hedging U.S. dollar investments and only uses foreign exchange contracts to hedge U.S. dollar proceeds expected to be received.

BDC Advantage results

	Three months ended September 30		Six months ended September 30	
($ in millions)	**F2016**	F2015	**F2016**	F2015
Revenue	**3.6**	4.5	**7.2**	8.6
Operating and administrative expenses	**11.1**	10.3	**22.2**	19.8
Net loss from BDC Advantage	**(7.5)**	(5.8)	**(15.0)**	(11.2)

Three and six months ended September 30

During the first quarter of fiscal 2016, BDC undertook the first steps in setting up a team of experts dedicated to helping high-impact firms and created a new unit called BDC Advantage. BDC's existing consulting services were also moved into the new unit. This team will work in collaboration with third parties to facilitate high-impact firms' access to other services that exist—or need to be developed—in the entrepreneurial ecosystem. The initial focus of the team will be on the following areas:

- Develop the ability to provide long-term, unbiased advice. We will expand our advisory team with highly experienced individuals who can help entrepreneurs assess their needs, and provide advice on a long-term and objective basis.

- Develop a service offering specifically tailored for high-impact firms. To address the challenges faced by high-impact firms, in addition to its existing service offerings, new BDC offerings could include formal management training, peer-to-peer networking and other highly tailored non-financial services. We will offer these services by leveraging our own expert resources and consultant networks, and by partnering with third-party organizations.

BDC Advantage provides its non-financial services on a fee-for-service basis. However, management maintains that, given the nature of the market segments in which we operate, full cost recovery cannot be

expected on these activities. Management believes that BDC's non-financial services have a significant positive impact on Canadian small and medium-sized enterprises and the broader economy.

BDC Advantage's net loss was $7.5 million for the second quarter of fiscal 2016, compared to a $5.8 million net loss recorded for the same quarter last year. Cumulative net loss for the six-month period ended September 30, 2015, was $15.0 million, compared to $11.2 million for the same period last year.

Revenues were $3.6 million and $7.2 million, respectively, for the second quarter and the first six months of fiscal 2016, lower than the $4.5 million and $8.6 million recorded for the same periods last year.

On a year-to-date basis, operating and administrative expenses of $22.2 million were $2.4 million higher than those recorded in the same period of fiscal 2015, as BDC continued to allocate resources and build a team of experts to offer a range of non-financial support to entrepreneurs, including high-impact firms.

Securitization results

	Three months ended September 30		Six months ended September 30	
($ in millions)	F2016	F2015	F2016	F2015
Net interest and fee income	1.2	1.5	2.3	2.9
Income before operating and administrative expenses	1.2	1.5	2.3	2.9
Operating and administrative expenses	0.6	0.5	1.1	0.9
Net income from Securitization	0.6	1.0	1.2	2.0

Three and six months ended September 30

Net income from Securitization for the second quarter of fiscal 2016 was $0.6 million, for a total of $1.2 million for the six-month period ended September 30, 2015. These figures compare to net income from Securitization of $1.0 million and $2.0 million, respectively, for the same periods last year.

The decrease in income was due to lower net interest and fee income as a result of a decrease in the yield.

Operating and administrative expenses for the three-month and six-month periods ended September 30, 2015, were slightly higher than those reported for the same period last year.

Venture Capital Action Plan results

	Three months ended September 30		Six months ended September 30	
($ in millions)	**F2016**	F2015	**F2016**	F2015
Net revenue (loss) on investments	**0.2**	0.1	**0.1**	0.2
Net change in unrealized appreciation (depreciation) of investments	**(2.5)**	(2.1)	**(5.0)**	(3.0)
Income (loss) before operating and administrative expenses	**(2.3)**	(2.0)	**(4.9)**	(2.8)
Operating and administrative expenses	**0.2**	0.2	**0.4**	0.4
Net income (loss) from Venture Capital Action Plan	**(2.5)**	(2.2)	**(5.3)**	(3.2)

Three and six months ended September 30

During the second quarter of fiscal 2016, Venture Capital Action Plan (VCAP) recorded a net loss of $2.5 million, mostly as a result of a net change in unrealized depreciation of investments of $2.5 million. For the six months ended September 30, 2015, VCAP recorded a net loss of $5.3 million, compared to a net loss of $3.2 million for the same period last year. These losses were anticipated early in the program.

On a year-to-date basis, operating and administrative expenses of $0.4 million were comparable to those recorded in the same period of fiscal 2015.

Consolidated Statement of Financial Position and Cash Flows

As at September 30, 2015, total BDC assets amounted to $22.0 billion, an increase of $0.9 billion from March 31, 2015, mainly due to the increase in loans and investments.

At $19.0 billion, the loan portfolio represented BDC's largest asset ($19.5 billion in gross portfolio and a $0.5 billion allowance for credit losses). The gross loan portfolio grew by 3.2% in the six months after March 31, 2015.

As for BDC's investment portfolios, the subordinate financing portfolio stood at $670.7 million, compared to $642.8 million as at March 31, 2015. Net investment disbursements accounted for most of the increase in this portfolio. The venture capital portfolio was $827.5 million as at September 30, 2015, compared to $709.6 million as at March 31, 2015. The increase in this portfolio was mainly due to net investment disbursements and to gains on conversion of the U.S. dollar portfolio. The venture capital action plan portfolio stood at $83.6 million, compared to $47.6 million as at March 31, 2015. Investment disbursements accounted for most of the increase.

The asset-backed securities (ABS) portfolio stood at $499.4 million, compared to $407.7 million as at March 31, 2015. The increase in the portfolio was due to net disbursements of securities purchased under the Funding Platform for Independent Lenders (F-PIL) program.

Derivative assets of $48.7 million and derivative liabilities of $6.6 million reflected the fair value of derivative financial instruments as at September 30, 2015. Net derivative fair value decreased by $3.7 million, compared to the fair value as at March 31, 2015, primarily due to a decrease in fair value, as well as to maturities and redemptions.

As at September 30, 2015, BDC recorded a net defined benefit asset of $131.6 million related to the registered pension plan, and a net defined benefit liability of $200.0 million for the other plans, for a total net defined benefit liability of $68.4 million. This represents a decrease of $50.9 million compared to the total net defined benefit liability as at March 31, 2015, primarily as the result of remeasurement gains on the net defined benefit asset or liability recorded during the six-month period ended September 30, 2015. Refer to page 9 of this report for further information on remeasurements of net defined benefit asset or liability.

BDC holds cash and cash equivalents in accordance with its Treasury Risk Policy. The Bank's liquidities, which ensure funds are available to meet BDC's cash outflows, totalled $672.4 million as at September 30, 2015, compared to $667.1 million as at March 31, 2015. For the six-month period ended September 30, 2015, cash flow used by investing activities amounted to $213.6 million, as a result of net disbursements of subordinate financing and venture capital investments, and ABS. Financing activities provided $550.3 million in cash flow, mainly as a result of the issuance of short-term notes and common shares, partially offset by the repayment of long-term notes and the payment of dividends, while operating activities used $331.3 million, mainly due to the increase in the loans portfolio.

As at September 30, 2015, BDC funded its portfolios and liquidities with borrowings of $16.4 billion and total equity of $5.2 billion. Borrowings comprised $16.0 billion in short-term notes and $0.4 billion in long-term notes.

CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of Canadian dollars)

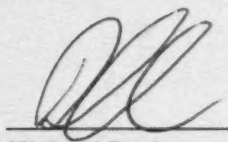
18 Management's Responsibility for Financial Information
19 Consolidated Statement of Financial Position
20 Consolidated Statement of Income
21 Consolidated Statement of Comprehensive Income
22 Consolidated Statement of Changes in Equity
24 Consolidated Statement of Cash Flows
25 Notes to the Consolidated Financial Statements

25 **Note 1** BDC General Description
25 **Note 2** Basis of Preparation
25 **Note 3** Significant Accounting Policies
26 **Note 4** Significant Accounting Judgements, Estimates and Assumptions
27 **Note 5** Classification and Fair Value of Financial Instruments
30 **Note 6** Asset-Backed Securities
31 **Note 7** Loans
32 **Note 8** Subordinate Financing Investments
33 **Note 9** Venture Capital Investments
34 **Note 10** Venture Capital Action Plan Investments
34 **Note 11** Share Capital
35 **Note 12** Segmented Information
38 **Note 13** Guarantees
38 **Note 14** Commitments
40 **Note 15** Related Party Transactions

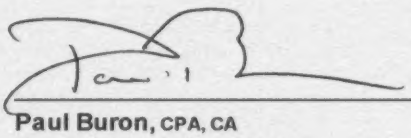
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management is responsible for the preparation and fair presentation of these condensed quarterly Consolidated Financial Statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines are necessary to enable the preparation of condensed quarterly Consolidated Financial Statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly Consolidated Financial Statements.

Based on our knowledge, these unaudited condensed quarterly Consolidated Financial Statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the condensed quarterly Consolidated Financial Statements.



Michael Denham
President and Chief Executive Officer



Paul Buron, CPA, CA
Executive Vice President,
Chief Financial and Risk Officer

Montreal, Canada
November 4, 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited)

(in thousands of Canadian dollars)	Notes	September 30, 2015	March 31, 2015
ASSETS			
Cash and cash equivalents		**672,398**	667,084
Derivative assets		**48,655**	53,322
Loans and investments			
Asset-backed securities	6	**499,404**	407,731
Loans	7	**18,962,791**	18,414,044
Subordinate financing investments	8	**670,651**	642,810
Venture capital investments	9	**827,540**	709,639
Venture capital action plan investments	10	**83,552**	47,643
Total loans and investments		**21,043,938**	20,221,867
Property and equipment		**24,926**	24,435
Intangible assets		**43,670**	48,961
Net defined benefit asset		**131,630**	100,429
Other assets		**17,765**	12,919
Total assets		**21,982,982**	21,129,017
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and accrued liabilities		**70,986**	101,996
Derivative liabilities		**6,648**	7,515
Borrowings			
Short-term notes		**15,977,878**	15,435,747
Long-term notes		**469,916**	548,709
Total borrowings		**16,447,794**	15,984,456
Net defined benefit liability		**199,987**	219,664
Other liabilities		**38,808**	36,266
Total liabilities		**16,764,223**	16,349,897
Equity			
Share capital	11	**2,288,400**	2,138,400
Contributed surplus		**27,778**	27,778
Retained earnings		**2,870,916**	2,570,454
Accumulated other comprehensive income		**5,677**	7,934
Equity attributable to BDC's shareholder		**5,192,771**	4,744,566
Non-controlling interests		**25,988**	34,554
Total equity		**5,218,759**	4,779,120
Total liabilities and equity		**21,982,982**	21,129,017

Guarantees (Note 13)

Commitments (Note 14)

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

(in thousands of Canadian dollars)	Three months ended September 30		Six months ended September 30	
	2015	2014	**2015**	2014
Interest income	**272,071**	267,517	**543,272**	531,422
Interest expense	**17,767**	34,800	**40,961**	67,809
Net interest income	**254,304**	232,717	**502,311**	463,613
Net realized gains (losses) on investments	**10,876**	(19,903)	**13,755**	(25,986)
Consulting revenue	**3,618**	4,486	**7,172**	8,605
Fee and other income	**15,114**	12,476	**24,588**	23,042
Net realized gains (losses) on other financial instruments	**(210)**	2,038	**189**	1,075
Net revenue	**283,702**	231,814	**548,015**	470,349
Provision for credit losses	**(33,472)**	(19,285)	**(61,631)**	(36,691)
Net change in unrealized appreciation (depreciation) of investments	**(18,790)**	29,948	**29,389**	35,893
Net unrealized foreign exchange gains (losses) on investments	**20,801**	8,960	**19,350**	2,785
Net unrealized gains (losses) on other financial instruments	**2,295**	(9,060)	**3,381**	(3,854)
Income before operating and administrative expenses	**254,536**	242,377	**538,504**	468,482
Salaries and benefits	**81,376**	73,942	**161,994**	145,970
Premises and equipment	**11,695**	12,119	**23,313**	22,770
Other expenses	**20,618**	19,250	**41,341**	40,905
Operating and administrative expenses	**113,689**	105,311	**226,648**	209,645
Net income	**140,847**	137,066	**311,856**	258,837
Net income attributable to:				
BDC's shareholder	**142,778**	138,354	**313,135**	259,773
Non-controlling interests	**(1,931)**	(1,288)	**(1,279)**	(936)
Net income	**140,847**	137,066	**311,856**	258,837

The accompanying notes are an integral part of these Consolidated Financial Statements and Note 12 provides additional information on segmented net income.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited)

(in thousands of Canadian dollars)	Three months ended September 30		Six months ended September 30	
	2015	2014	**2015**	2014
Net income	**140,847**	137,066	**311,856**	258,837
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income				
Net change in unrealized gains (losses) on available-for-sale assets	**(868)**	(415)	**(1,262)**	(872)
Net unrealized gains (losses) on cash flow hedges	**141**	(322)	**(907)**	(752)
Reclassification to net income of losses (gains) on cash flow hedges	**(44)**	(119)	**(88)**	(238)
Net change in unrealized gains (losses) on cash flow hedges	**97**	(441)	**(995)**	(990)
Total items that may be reclassified subsequently to net income	**(771)**	(856)	**(2,257)**	(1,862)
Items that will not be reclassified to net income				
Remeasurements of net defined benefit asset or liability	**(23,171)**	(33,360)	**50,215**	(59,200)
Other comprehensive income (loss)	**(23,942)**	(34,216)	**47,958**	(61,062)
Total comprehensive income	**116,905**	102,850	**359,814**	197,775
Total comprehensive income attributable to:				
BDC's shareholder	**118,836**	104,138	**361,093**	198,711
Non-controlling interests	**(1,931)**	(1,288)	**(1,279)**	(936)
Total comprehensive income	**116,905**	102,850	**359,814**	197,775

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended September 30
(unaudited)

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				Available-for-sale assets	Cash flow hedges	Total			
Balance as at June 30, 2015	2,288,400	27,778	2,751,309	3,553	2,895	6,448	5,073,935	32,155	5,106,090
Total comprehensive income									
Net income			142,778				142,778	(1,931)	140,847
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on available-for-sale assets				(868)		(868)	(868)		(868)
Net change in unrealized gains (losses) on cash flow hedges					97	97	97		97
Remeasurements of net defined benefit asset or liability			(23,171)				(23,171)		(23,171)
Other comprehensive income (loss)	-	-	(23,171)	(868)	97	(771)	(23,942)	-	(23,942)
Total comprehensive income	-	-	119,607	(868)	97	(771)	118,836	(1,931)	116,905
Distributions to non-controlling interests								(4,287)	(4,287)
Capital injections from non-controlling interests								51	51
Transactions with owner, recorded directly in equity	-	-	-	-	-	-	-	(4,236)	(4,236)
Balance as at September 30, 2015	2,288,400	27,778	2,870,916	2,685	2,992	5,677	5,192,771	25,988	5,218,759

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				Available-for-sale assets	Cash flow hedges	Total			
Balance as at June 30, 2014	2,138,400	27,778	2,208,245	1,750	2,697	4,447	4,378,870	41,945	4,420,815
Total comprehensive income									
Net income			138,354				138,354	(1,288)	137,066
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on available-for-sale assets				(415)		(415)	(415)		(415)
Net change in unrealized gains (losses) on cash flow hedges					(441)	(441)	(441)		(441)
Remeasurements of net defined benefit asset or liability			(33,360)				(33,360)		(33,360)
Other comprehensive income (loss)	-	-	(33,360)	(415)	(441)	(856)	(34,216)	-	(34,216)
Total comprehensive income	-	-	104,994	(415)	(441)	(856)	104,138	(1,288)	102,850
Distributions to non-controlling interests								(4,783)	(4,783)
Capital injections from non-controlling interests								2,263	2,263
Transactions with owner, recorded directly in equity	-	-	-	-	-	-	-	(2,520)	(2,520)
Balance as at September 30, 2014	2,138,400	27,778	2,313,239	1,335	2,256	3,591	4,483,008	38,137	4,521,145

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended September 30
(unaudited)

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				Available-for-sale assets	Cash flow hedges	Total			
Balance as at March 31, 2015	2,138,400	27,778	2,570,454	3,947	3,987	7,934	4,744,566	34,554	4,779,120
Total comprehensive income									
Net income			313,135				313,135	(1,279)	311,856
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on available-for-sale assets				(1,262)		(1,262)	(1,262)		(1,262)
Net change in unrealized gains (losses) on cash flow hedges					(995)	(995)	(995)		(995)
Remeasurements of net defined benefit asset or liability			50,215				50,215		50,215
Other comprehensive income (loss)	-	-	50,215	(1,262)	(995)	(2,257)	47,958	-	47,958
Total comprehensive income	-	-	363,350	(1,262)	(995)	(2,257)	361,093	(1,279)	359,814
Issuance of shares	150,000						150,000		150,000
Dividends on common shares			(62,888)				(62,888)		(62,888)
Distributions to non-controlling interests								(8,070)	(8,070)
Capital injections from non-controlling interests								783	783
Transactions with owner, recorded directly in equity	150,000	-	(62,888)	-	-	-	87,112	(7,287)	79,825
Balance as at September 30, 2015	2,288,400	27,778	2,870,916	2,685	2,992	5,677	5,192,771	25,988	5,218,759

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				Available-for-sale assets	Cash flow hedges	Total			
Balance as at March 31, 2014	2,138,400	27,778	2,167,279	2,207	3,246	5,453	4,338,910	51,139	4,390,049
Total comprehensive income									
Net income			259,773				259,773	(936)	258,837
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on available-for-sale assets				(872)		(872)	(872)		(872)
Net change in unrealized gains (losses) on cash flow hedges					(990)	(990)	(990)		(990)
Remeasurements of net defined benefit asset or liability			(59,200)				(59,200)		(59,200)
Other comprehensive income (loss)	-	-	(59,200)	(872)	(990)	(1,862)	(61,062)	-	(61,062)
Total comprehensive income	-	-	200,573	(872)	(990)	(1,862)	198,711	(936)	197,775
Dividends on common shares			(54,613)				(54,613)		(54,613)
Distributions to non-controlling interests								(14,421)	(14,421)
Capital injections from non-controlling interests								2,355	2,355
Transactions with owner, recorded directly in equity	-	-	(54,613)	-	-	-	(54,613)	(12,066)	(66,679)
Balance as at September 30, 2014	2,138,400	27,778	2,313,239	1,335	2,256	3,591	4,483,008	38,137	4,521,145

The accompanying notes are an integral part of these Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

(in thousands of Canadian dollars)	Three months ended September 30		Six months ended September 30	
	2015	2014	2015	2014
Operating activities				
Net income	140,847	137,066	311,856	258,837
Adjustments to determine net cash flows				
Interest income	(272,071)	(267,517)	(543,272)	(531,422)
Interest expense	17,767	34,800	40,961	67,809
Net realized losses (gains) on investments	(10,876)	19,903	(13,755)	25,986
Provision for credit losses	33,472	19,285	61,631	36,691
Net change in unrealized depreciation (appreciation) on investments	18,790	(29,948)	(29,389)	(35,893)
Net unrealized foreign exchange losses (gains) on investments	(20,801)	(8,960)	(19,350)	(2,785)
Net unrealized losses (gains) on other financial instruments	(2,295)	9,060	(3,381)	3,854
Defined benefits funding in excess of amounts expensed	3,088	(5,742)	(663)	(13,332)
Depreciation of property and equipment, and amortization of intangible assets	4,408	4,727	8,797	8,344
Loss (gain) on disposal of property and equipment	-	-	-	9
Other	(12,501)	(3,496)	(10,166)	(858)
Interest expense paid	(22,070)	(39,478)	(42,226)	(68,050)
Interest income received	264,761	265,621	530,404	524,160
Disbursements for loans	(1,148,816)	(1,110,480)	(2,182,714)	(1,981,681)
Repayments of loans	774,176	752,423	1,593,234	1,465,386
Changes in operating assets and liabilities				
Net change in accounts payable and accrued liabilities	(40,309)	(45,377)	(31,010)	(36,029)
Net change in other assets and other liabilities	5,415	(1,568)	(2,304)	(4,171)
Net cash flows provided (used) by operating activities	(267,015)	(269,681)	(331,347)	(283,145)
Investing activities				
Disbursements for asset-backed securities	(116,734)	(51,064)	(196,196)	(107,655)
Repayments and proceeds on sale of asset-backed securities	50,955	29,108	103,267	62,456
Disbursements for subordinate financing investments	(67,784)	(42,704)	(122,521)	(88,330)
Repayments of subordinate financing investments	55,201	20,882	88,469	58,974
Disbursements for venture capital investments	(46,065)	(49,613)	(99,737)	(88,377)
Proceeds on sale of venture capital investments	32,987	3,511	58,013	14,756
Disbursements for venture capital action plan investments	(21,131)	(7,776)	(41,123)	(8,341)
Proceeds on sale of venture capital action plan investments	222	-	222	-
Acquisition of property and equipment	(2,208)	(558)	(3,997)	(1,056)
Proceeds from disposal of property and equipment	-	-	-	1
Acquisition of intangible assets	-	-	-	(466)
Net cash flows provided (used) by investing activities	(114,557)	(98,214)	(213,603)	(158,038)
Financing activities				
Net change in short-term notes	454,138	405,350	543,138	646,200
Issue of long-term notes	-	49,700	-	89,100
Repayment of long-term notes	(45,801)	(90,451)	(72,699)	(225,614)
Distributions to non-controlling interests	(4,287)	(4,783)	(8,070)	(14,421)
Capital injections from non-controlling interests	51	2,263	783	2,355
Issue of common shares	-	-	150,000	-
Dividends paid on common shares	-	-	(62,888)	(54,613)
Net cash flows provided (used) by financing activities	404,101	362,079	550,264	443,007
Net increase (decrease) in cash and cash equivalents	22,529	(5,816)	5,314	1,824
Cash and cash equivalents at beginning of period	649,869	684,169	667,084	676,529
Cash and cash equivalents at end of period	672,398	678,353	672,398	678,353

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of Canadian dollars)

1. BDC GENERAL DESCRIPTION

The Business Development Bank of Canada is a Crown corporation that was established by an Act of Parliament on December 20, 1974, as the Federal Business Development Bank and continued under its current name by an Act of Parliament that was enacted on July 13, 1995. The Business Development Bank of Canada is incorporated in Canada and wholly owned by the Government of Canada.

The objectives of the Business Development Bank of Canada and its subsidiaries (together, BDC) are to promote and assist in the establishment and development of business enterprises in Canada, with a focus on small and medium-sized enterprises, by providing a range of complementary lending and investment services, as well as consulting services. BDC offers Canadian companies services tailored to meet their current needs while earning an appropriate return on equity, which is used to further BDC's activities. BDC does not receive appropriations from the Government of Canada.

2. BASIS OF PREPARATION

BDC's condensed quarterly Consolidated Financial Statements are in compliance with the Standard on Quarterly Financial Reports for Crown Corporations, as required by the *Financial Administration* Act and issued by the Treasury Board of Canada Secretariat.

BDC's condensed quarterly Consolidated Financial Statements follow the same basis of preparation as our audited Consolidated Financial Statements for the year ended March 31, 2015. For complete information on the basis of preparation, refer to page 55 of our 2015 Annual Report.

These condensed quarterly Consolidated Financial Statements have been prepared using International Financial Reporting Standards (IFRS). The condensed quarterly Consolidated Financial Statements have also been prepared in accordance with the accounting policies BDC expects to use in its annual Consolidated Financial Statements for the year ending March 31, 2016. If BDC changes the application of these policies, it may result in a restatement of these condensed quarterly Consolidated Financial Statements.

These condensed quarterly Consolidated Financial Statements have been prepared using International Financial Reporting Standards (IFRS) and were approved for issue by the Board of Directors on November 4, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

BDC's condensed quarterly Consolidated Financial Statements follow the same accounting policies as our audited Consolidated Financial Statements for the year ended March 31, 2015. These policies have been consistently applied to all periods presented in these condensed quarterly Consolidated Financial Statements and have been applied consistently by all entities consolidated by BDC.

These condensed quarterly Consolidated Financial Statements must be read in conjunction with BDC's 2015 Annual Report and the accompanying notes, as set out on pages 55 to 109 of our 2015 Annual Report.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Preparation of the condensed quarterly Consolidated Financial Statements as per IFRS requires management to make judgements and use estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Significant changes in the underlying assumptions could result in significant changes to these estimates. Consequently, management reviews these assumptions regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

For information about the significant judgements, estimates and assumptions that have the most significant effect on the amounts recognized in the condensed quarterly Consolidated Financial Statements, refer to page 65 of our 2015 Annual Report.

5. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following tables summarize the classification of BDC's financial instruments as at September 30, 2015, and March 31, 2015.

September 30, 2015

		Measured at fair value				Measured at amortized cost		
		FVTPL[1]						
	Note	Held-for-trading	Designated as at FVTPL	Available-for-sale	Cash flow hedges	Loans and receivables	Financial liabilities	Total
Financial assets								
Cash and cash equivalents						672,398		672,398
Derivative assets		45,961			2,694			48,655
Asset-backed securities	6		6,118	493,286				499,404
Loans	7					18,962,791		18,962,791
Subordinate financing investments	8		670,651					670,651
Venture capital investments	9		827,540					827,540
Venture capital action plan investments	10		83,552					83,552
Other assets[2]						10,206		10,206
Total financial assets		45,961	1,587,861	493,286	2,694	19,645,395	-	21,775,197
Financial liabilities								
Accounts payable and accrued liabilities							70,986	70,986
Derivative liabilities		6,648						6,648
Short-term notes							15,977,878	15,977,878
Long-term notes			291,068				178,848	469,916
Other liabilities[2]							27,845	27,845
Total financial liabilities		6,648	291,068	-	-	-	16,255,557	16,553,273

March 31, 2015

		Measured at fair value				Measured at amortized cost		
		FVTPL[1]						
	Note	Held-for-trading	Designated as at FVTPL	Available-for-sale	Cash flow hedges	Loans and receivables	Financial liabilities	Total
Financial assets								
Cash and cash equivalents						667,084		667,084
Derivative assets		49,666			3,656			53,322
Asset-backed securities	6		3,688	404,043				407,731
Loans	7					18,414,044		18,414,044
Subordinate financing investments	8		642,810					642,810
Venture capital investments	9		709,639					709,639
Venture capital action plan investments	10		47,643					47,643
Other assets[2]						8,200		8,200
Total financial assets		49,666	1,403,780	404,043	3,656	19,089,328	-	20,950,473
Financial liabilities								
Accounts payable and accrued liabilities							101,996	101,996
Derivative liabilities		7,515						7,515
Short-term notes							15,435,747	15,435,747
Long-term notes			304,453				244,256	548,709
Other liabilities[2]							27,568	27,568
Total financial liabilities		7,515	304,453	-	-	-	15,809,567	16,121,535

[1] Fair value through profit or loss.

[2] Certain items within the other assets and other liabilities categories on the Consolidated Statement of Financial Position are not considered to be financial instruments.

FAIR VALUE OF FINANCIAL INSTRUMENTS

All financial instruments measured at fair value must be categorized into one of three hierarchy levels for disclosure purposes. Each level is based on the observability of the inputs used to measure the fair value of assets and liabilities and is defined below:

- level 1—fair values based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;
- level 2—fair values based on inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- level 3—fair values based on valuation techniques with one or more significant unobservable market inputs.

There were no transfers between levels 1 and 2 or between levels 2 and 3 in the reporting periods. BDC's policy is to recognize transfers between levels 1 and 3 when private investments become publicly traded or public investments become private investments during the reporting periods.

The following tables present financial instruments carried at fair value categorized by hierarchy levels.

				September 30, 2015
	Fair value measurements using			Total
	Level 1	Level 2	Level 3	fair value
Assets				
Derivative assets		48,655		48,655
Asset-backed securities		499,404		499,404
Subordinate financing investments	871		669,780	670,651
Venture capital investments	12,142		815,398	827,540
Venture capital action plan investments			83,552	83,552
	13,013	548,059	1,568,730	2,129,802
Liabilities				
Derivative liabilities		6,648		6,648
Long-term notes designated as at FVTPL[1]		291,068		291,068
	-	297,716	-	297,716

[1] Fair value through profit or loss.

	March 31, 2015			
	Fair value measurements using			Total
	Level 1	Level 2	Level 3	fair value
Assets				
Derivative assets		53,322		53,322
Asset-backed securities		407,731		407,731
Subordinate financing investments	607		642,203	642,810
Venture capital investments	1,871		707,768	709,639
Venture capital action plan investments			47,643	47,643
	2,478	461,053	1,397,614	1,861,145
Liabilities				
Derivative liabilities		7,515		7,515
Long-term notes designated as at FVTPL[(1)]		304,453		304,453
	-	311,968	-	311,968

[(1)] Fair value through profit or loss.

The following tables present the changes in fair value measurement for financial instruments included in level 3 of the fair value hierarchy.

	September 30, 2015			
	Subordinate financing investments	**Venture capital investments**	**Venture capital action plan investments**	**Total**
Fair value as at April 1, 2015	**642,203**	**707,768**	**47,643**	**1,397,614**
Net realized gains (losses) on investments	**(392)**	**13,875**	**-**	**13,483**
Net change in unrealized appreciation (depreciation) of investments	**(6,099)**	**43,952**	**(4,992)**	**32,861**
Net unrealized foreign exchange gains (losses) on investments	**-**	**19,230**	**-**	**19,230**
Disbursements for investments	**122,521**	**96,482**	**41,123**	**260,126**
Repayments of investments and other	**(88,453)**	**(56,294)**	**(222)**	**(144,969)**
Transfers from level 3 to level 1	**-**	**(9,615)**	**-**	**(9,615)**
Fair value as at September 30, 2015	**669,780**	**815,398**	**83,552**	**1,568,730**

	Subordinate financing investments	Venture capital investments	Venture capital action plan investments	March 31, 2015 Total
Fair value as at April 1, 2014	575,993	489,038	5,169	1,070,200
Net realized gains (losses) on investments	(23,010)	(8,873)	-	(31,883)
Net change in unrealized appreciation (depreciation) of investments	9,600	30,118	(3,591)	36,127
Net unrealized foreign exchange gains (losses) on investments	-	27,737	-	27,737
Disbursements for investments	218,335	190,004	46,165	454,504
Repayments of investments and other	(138,715)	(16,385)	(100)	(155,200)
Transfers from level 3 to level 1	-	(3,871)	-	(3,871)
Fair value as at March 31, 2015	642,203	707,768	47,643	1,397,614

6. ASSET-BACKED SECURITIES

	September 30, 2015	March 31, 2015
Available-for-sale		
Principal amount	**490,601**	400,096
Cumulative fair value appreciation (depreciation)	**2,685**	3,947
Carrying value	**493,286**	404,043
Yield	**1.82%**	2.02%
Fair value through profit or loss		
Principal amount	**6,057**	3,609
Cumulative fair value appreciation (depreciation)	**61**	79
Carrying value	**6,118**	3,688
Yield	**7.04%**	7.65%
Asset-backed securities	**499,404**	407,731

No asset-backed securities were impaired as at September 30 or March 31, 2015.

7. LOANS

The following tables provide loans outstanding by contractual maturity date.

	Within 1 year	1 to 5 years	Over 5 years	Total gross amount	Collective allowance	Individual allowance	Total allowance	Total net amount
Performing	150,900	2,191,231	16,655,081	18,997,212	(360,000)	-	(360,000)	18,637,212
Impaired	20,688	63,550	440,625	524,863	-	(199,284)	(199,284)	325,579
Loans as at September 30, 2015	171,588	2,254,781	17,095,706	19,522,075	(360,000)	(199,284)	(559,284)	18,962,791

	Within 1 year	1 to 5 years	Over 5 years	Total gross amount	Collective allowance	Individual allowance	Total allowance	Total net amount
Performing	186,646	2,078,792	16,187,973	18,453,411	(350,000)	-	(350,000)	18,103,411
Impaired	7,856	62,270	420,430	490,556	-	(179,923)	(179,923)	310,633
Loans as at March 31, 2015	194,502	2,141,062	16,608,403	18,943,967	(350,000)	(179,923)	(529,923)	18,414,044

Allowance for credit losses

	September 30, 2015	March 31, 2015
Balance at beginning of period	529,923	508,250
Write-offs	(30,679)	(71,983)
Effect of discounting	(6,917)	(12,788)
Recoveries and other	5,326	10,521
	497,653	434,000
Provision for credit losses	61,631	95,923
Balance at end of period	559,284	529,923

Concentrations of total loans outstanding

Geographic distribution	September 30, 2015	March 31, 2015
Newfoundland and Labrador	846,853	790,243
Prince Edward Island	53,975	53,344
Nova Scotia	504,135	490,936
New Brunswick	469,473	469,044
Quebec	6,300,998	6,243,857
Ontario	4,984,641	4,812,779
Manitoba	629,189	600,946
Saskatchewan	658,841	633,566
Alberta	2,848,476	2,644,485
British Columbia	2,103,777	2,080,226
Yukon	93,163	97,397
Northwest Territories and Nunavut	28,554	27,144
Total loans outstanding	19,522,075	18,943,967

Industry sector	September 30, 2015	March 31, 2015
Manufacturing	4,371,292	4,186,626
Wholesale and retail trade	3,936,882	3,843,068
Service industries	2,543,912	2,455,093
Tourism	2,506,367	2,491,385
Commercial properties	2,153,946	2,183,966
Construction	1,652,879	1,560,146
Transportation and storage	1,133,676	1,089,428
Resources	722,508	680,730
Other	500,613	453,525
Total loans outstanding	19,522,075	18,943,967

8. SUBORDINATE FINANCING INVESTMENTS

BDC maintains a medium- to high-risk portfolio of subordinate financing investments. The following table summarizes outstanding subordinate financing investments by their contractual maturity date.

	Within 1 year	1 to 5 years	Over 5 years	Total cost	Total fair value
As at September 30, 2015	79,607	503,748	108,252	691,607	670,651
As at March 31, 2015	80,350	480,167	97,460	657,977	642,810

Concentrations of total subordinate financing investments

	September 30, 2015		March 31, 2015	
Geographic distribution	Fair value	Cost	Fair value	Cost
Newfoundland and Labrador	5,084	3,761	5,063	3,831
Nova Scotia	16,977	16,983	15,888	16,592
New Brunswick	24,742	21,941	22,352	20,355
Quebec	270,345	291,276	253,105	269,482
Ontario	230,416	230,717	212,234	212,103
Manitoba	12,734	8,040	11,617	8,270
Saskatchewan	8,000	7,429	6,462	5,485
Alberta	69,601	77,011	88,517	92,540
British Columbia	29,038	30,601	23,855	25,470
Yukon	2,672	2,744	2,613	2,744
Northwest Territories and Nunavut	1,042	1,104	1,104	1,105
Subordinate financing investments	670,651	691,607	642,810	657,977

	September 30, 2015		March 31, 2015	
Industry sector	**Fair value**	**Cost**	Fair value	Cost
Manufacturing	**233,650**	**237,243**	223,059	225,962
Service industries	**132,580**	**142,096**	135,614	142,482
Wholesale and retail trade	**126,162**	**125,702**	107,962	108,233
Construction	**65,077**	**60,129**	51,697	47,244
Resources	**37,267**	**44,625**	48,732	52,293
Information industries	**19,901**	**21,644**	21,526	24,068
Transportation and storage	**9,837**	**10,457**	11,071	11,494
Tourism	**4,642**	**5,248**	9,756	10,111
Real estate and rental and leasing	**4,596**	**4,777**	3,033	3,128
Educational services	**2,839**	**2,770**	4,038	3,922
Other	**34,100**	**36,916**	26,322	29,040
Subordinate financing investments	**670,651**	**691,607**	642,810	657,977

9. VENTURE CAPITAL INVESTMENTS

BDC maintains a high-risk portfolio of venture capital investments that is focused on early-stage and fast-growing technology companies having promising positions in their respective marketplaces and strong growth potential. The concentrations and investment types of venture capital investments are listed below.

	September 30, 2015		March 31, 2015	
Industry sector	**Fair value**	**Cost**	Fair value	Cost
Information technology	**167,723**	**153,656**	160,551	151,208
Biotechnology and pharmacology	**134,406**	**93,025**	73,709	81,218
Electronics	**78,487**	**94,499**	89,219	91,774
Communications	**42,984**	**44,238**	32,241	33,664
Medical and health	**38,874**	**50,939**	40,121	45,522
Energy	**20,820**	**23,055**	16,628	20,635
Industrial	**12,783**	**19,634**	12,673	18,331
Other	**3,744**	**2,645**	3,447	2,512
Total direct investments	**499,821**	**481,691**	428,589	444,864
Funds	**327,719**	**266,511**	281,050	245,021
Venture capital investments	**827,540**	**748,202**	709,639	689,885

	September 30, 2015		March 31, 2015	
Investment type	**Fair value**	**Cost**	Fair value	Cost
Common shares	**62,127**	**90,035**	40,061	70,027
Preferred shares	**395,257**	**345,171**	336,898	321,239
Debentures	**42,437**	**46,485**	51,630	53,598
Total direct investments	**499,821**	**481,691**	428,589	444,864
Funds	**327,719**	**266,511**	281,050	245,021
Venture capital investments	**827,540**	**748,202**	709,639	689,885

10. VENTURE CAPITAL ACTION PLAN INVESTMENTS

Venture Capital Action Plan is a federal government initiative to invest $400 million to increase private sector venture capital financing for high-potential, innovative Canadian businesses.

Venture Capital Action Plan invests primarily in early-stage and mid-stage venture capital funds, and directly in companies across Canada. Venture Capital Action Plan supports the creation of large private sector-led funds of funds and also assists existing high-performing funds in partnership with institutional investors, corporate strategic investors and interested provinces.

As at September 30, 2015, the fair value of venture capital action plan investments stood at $83,552 ($47,643 as at March 31, 2015), and their cost was $92,668 ($51,767 as at March 31, 2015).

11. SHARE CAPITAL

An unlimited number of common shares, having a par value of $100 each, is authorized. As at September 30, 2015, there were 22,884,000 common shares outstanding (21,384,000 as at March 31, 2015).

During the six-month period ended September 30, 2015, BDC issued 1,500,000 common shares for $150.0 million.

Statutory limitations

As per the BDC Act, the debt-to-equity ratio cannot exceed 12:1. In addition, the paid-in capital, the contributed surplus and any proceeds that have been prescribed as equity (such as hybrid capital instruments) must not exceed $3.0 billion. As at September 30, 2015, and March 31, 2015, BDC met both of these statutory limitation requirements.

Capital adequacy

Treasury Board of Canada Secretariat provides guidelines to BDC on its capital adequacy ratios. BDC must maintain overall capital and allowance for credit losses sufficient to ensure that BDC can withstand unfavourable economic circumstances without requiring additional government funding. During the six-month period ended September 30, 2015, and for the fiscal year ended March 31, 2015, BDC complied with its capital adequacy guidelines.

12. SEGMENTED INFORMATION

BDC has six reportable segments, as described below, which are the Bank's business lines. Each business line offers different products and services, and is managed separately based on BDC's management and internal reporting structure.

The following summary describes the operations of each of the Bank's reportable segments.

- **Financing** provides secured, partially secured and unsecured loans with a focus on small and medium-sized enterprises across Canada.
- **Growth & Transition Capital** provides subordinate financing by way of flexible debt, with or without convertible features, and equity-type financing.
- **Venture Capital** provides investments to cover every stage of a technology-based company's development cycle, from seed funding to expansion. BDC also makes indirect investments via venture capital investment funds.
- **BDC Advantage** supports high-impact firms and provides consulting services, group programs and other services related to business activities.
- **Securitization** purchases investments in asset-backed securities through the Funding Platform for Independent Lenders (F-PIL). These securities are backed by vehicle and equipment loans and leases, as well as dealer floor plan loans. BDC also provides fully secured loans to small and medium-sized finance and leasing companies.
- **Venture Capital Action Plan** supports the creation of large private sector-led funds of funds and also assists existing high-performing funds in partnership with institutional investors, corporate strategic investors and interested provinces.

The assumptions and methodologies used in BDC's reporting framework are periodically reviewed by management to ensure they remain valid. BDC's main allocation methods are described below.

Interest expense is allocated to each operating segment based on its business portfolio and the capital attributed to the segment. The attribution of capital to BDC's business segments is maintained in accordance with the capital adequacy ratios provided by the Treasury Board of Canada Secretariat and is consistently aligned with the economic risks of each specific business segment.

Operating and administrative expenses include costs incurred directly by the business segments. Indirect costs incurred at the enterprise level are attributed to each segment using management's internal reporting framework.

Loan and investment portfolios are managed separately based on BDC's business segments. None of the other assets or liabilities are managed by segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of Canadian dollars)

The following tables present financial information regarding the results of each reportable segment.

							Three months ended September 30, 2015
	BDC	**Financing**	**Growth & Transition Capital**	**Venture Capital**	**BDC Advantage**	**Securitization**	**Venture Capital Action Plan**
Interest income	**272,071**	253,980	15,868	-	-	2,223	-
Interest expense	**17,767**	15,610	1,134	-	-	1,023	-
Net interest income	**254,304**	**238,370**	**14,734**	**-**	**-**	**1,200**	**-**
Net realized gains (losses) on investments	**10,876**	-	(562)	11,438	-	-	-
Consulting revenue	**3,618**	-	-	-	3,618	-	-
Fee and other income	**15,114**	3,984	8,456	2,515	-	17	142
Net realized gains (losses) on other financial instruments	**(210)**	44	-	(254)	-	-	-
Net revenue (loss)	**283,702**	**242,398**	**22,628**	**13,699**	**3,618**	**1,217**	**142**
Provision for credit losses	**(33,472)**	(33,472)	-	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	**(18,790)**	-	1,197	(17,481)	-	(11)	(2,495)
Net unrealized foreign exchange gains (losses) on investments	**20,801**	-	-	20,801	-	-	-
Net unrealized gains (losses) on other financial instruments	**2,295**	2,394	-	(99)	-	-	-
Income (loss) before operating and administrative expenses	**254,536**	**211,320**	**23,825**	**16,920**	**3,618**	**1,206**	**(2,353)**
Salaries and benefits	**81,376**	63,710	6,268	3,623	7,062	517	196
Premises and equipment	**11,695**	10,248	407	359	642	26	13
Other expenses	**20,618**	15,546	623	1,037	3,385	45	(18)
Operating and administrative expenses	**113,689**	**89,504**	**7,298**	**5,019**	**11,089**	**588**	**191**
Net income (loss)	**140,847**	**121,816**	**16,527**	**11,901**	**(7,471)**	**618**	**(2,544)**
Net income (loss) attributable to:							
BDC's shareholder	**142,778**	121,816	15,822	14,537	(7,471)	618	(2,544)
Non-controlling interests	**(1,931)**	-	705	(2,636)	-	-	-
Net income (loss)	**140,847**	**121,816**	**16,527**	**11,901**	**(7,471)**	**618**	**(2,544)**
Business segment portfolio at end of period	**21,043,938**	**18,952,487**	**670,651**	**827,540**	**-**	**509,708[1]**	**83,552**

(1) Securitization's portfolio at the end of the period included $10,304 in loans and $499,404 in asset-backed securities.

							Three months ended September 30, 2014
	BDC	Financing	Growth & Transition Capital	Venture Capital	BDC Advantage	Securitization	Venture Capital Action Plan
Interest income	**267,517**	251,641	13,817	-	-	2,059	-
Interest expense	**34,800**	32,342	1,886	-	-	572	-
Net interest income	**232,717**	219,299	11,931	-	-	1,487	-
Net realized gains (losses) on investments	**(19,903)**	-	(13,542)	(6,361)	-	-	-
Consulting revenue	**4,486**	-	-	-	4,486	-	-
Fee and other income	**12,476**	4,035	7,888	458	-	2	93
Net realized gains (losses) on other financial instruments	**2,038**	604	-	1,434	-	-	-
Net revenue (loss)	**231,814**	223,938	6,277	(4,469)	4,486	1,489	93
Provision for credit losses	**(19,285)**	(19,285)	-	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	**29,948**	-	13,031	19,042	-	(13)	(2,112)
Net unrealized foreign exchange gains (losses) on investments	**8,960**	-	-	8,960	-	-	-
Net unrealized gains (losses) on other financial instruments	**(9,060)**	(970)	-	(8,090)	-	-	-
Income (loss) before operating and administrative expenses	**242,377**	203,683	19,308	15,443	4,486	1,476	(2,019)
Salaries and benefits	**73,942**	58,223	5,062	3,761	6,328	402	166
Premises and equipment	**12,119**	10,729	375	418	563	19	15
Other expenses	**19,250**	13,968	815	1,001	3,401	43	22
Operating and administrative expenses	**105,311**	82,920	6,252	5,180	10,292	464	203
Net income (loss)	**137,066**	120,763	13,056	10,263	(5,806)	1,012	(2,222)
Net income (loss) attributable to:							
BDC's shareholder	**138,354**	120,763	12,825	11,782	(5,806)	1,012	(2,222)
Non-controlling interests	**(1,288)**	-	231	(1,519)	-	-	-
Net income (loss)	**137,066**	120,763	13,056	10,263	(5,806)	1,012	(2,222)
Business segment portfolio at end of period	**19,313,133**	17,731,257	595,304	595,200	-	380,834	10,538

	Six months ended September 30, 2015						
	BDC	**Financing**	**Growth & Transition Capital**	**Venture Capital**	**BDC Advantage**	**Securitization**	**Venture Capital Action Plan**
Interest income	**543,272**	507,942	31,017	-	-	4,313	-
Interest expense	**40,961**	36,498	2,449	-	-	2,014	-
Net interest income	**502,311**	**471,444**	**28,568**	**-**	**-**	**2,299**	**-**
Net realized gains (losses) on investments	**13,755**	-	(392)	14,147	-	-	-
Consulting revenue	**7,172**	-	-	-	7,172	-	-
Fee and other income	**24,588**	7,766	13,856	2,791	-	22	153
Net realized gains (losses) on other financial instruments	**189**	269	-	(80)	-	-	-
Net revenue (loss)	**548,015**	**479,479**	**42,032**	**16,858**	**7,172**	**2,321**	**153**
Provision for credit losses	**(61,631)**	(61,631)	-	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	**29,389**	-	(5,835)	40,234	-	(18)	(4,992)
Net unrealized foreign exchange gains (losses) on investments	**19,350**	-	-	19,350	-	-	-
Net unrealized gains (losses) on other financial instruments	**3,381**	3,376	-	5	-	-	-
Income (loss) before operating and administrative expenses	**538,504**	**421,224**	**36,197**	**76,447**	**7,172**	**2,303**	**(4,839)**
Salaries and benefits	**161,994**	126,740	12,281	7,500	14,140	952	381
Premises and equipment	**23,313**	20,393	824	741	1,277	52	26
Other expenses	**41,341**	30,923	1,464	2,059	6,781	99	15
Operating and administrative expenses	**226,648**	**178,056**	**14,569**	**10,300**	**22,198**	**1,103**	**422**
Net income (loss)	**311,856**	**243,168**	**21,628**	**66,147**	**(15,026)**	**1,200**	**(5,261)**
Net income (loss) attributable to:							
BDC's shareholder	**313,135**	243,168	20,632	68,422	(15,026)	1,200	(5,261)
Non-controlling interests	**(1,279)**	-	996	(2,275)	-	-	-
Net income (loss)	**311,856**	**243,168**	**21,628**	**66,147**	**(15,026)**	**1,200**	**(5,261)**
Business segment portfolio at end of period	**21,043,938**	**18,952,487**	**670,651**	**827,540**	**-**	**509,708**[1]	**83,552**

[1] Securitization's portfolio at the end of the period included $10,304 in loans and $499,404 in asset-backed securities.

	Six months ended September 30, 2014						
	BDC	Financing	Growth & Transition Capital	Venture Capital	BDC Advantage	Securitization	Venture Capital Action Plan
Interest income	**531,422**	497,921	29,479	-	-	4,022	-
Interest expense	**67,809**	62,935	3,791	-	-	1,083	-
Net interest income	**463,613**	434,986	25,688	-	-	2,939	-
Net realized gains (losses) on investments	**(25,986)**	-	(19,760)	(6,226)	-	-	-
Consulting revenue	**8,605**	-	-	-	8,605	-	-
Fee and other income	**23,042**	7,736	14,138	969	-	3	196
Net realized gains (losses) on other financial instruments	**1,075**	240	-	835	-	-	-
Net revenue (loss)	**470,349**	442,962	20,066	(4,422)	8,605	2,942	196
Provision for credit losses	**(36,691)**	(36,691)	-	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	**35,893**	-	9,079	29,802	-	(16)	(2,972)
Net unrealized foreign exchange gains (losses) on investments	**2,785**	-	-	2,785	-	-	-
Net unrealized gains (losses) on other financial instruments	**(3,854)**	(1,329)	-	(2,525)	-	-	-
Income (loss) before operating and administrative expenses	**468,482**	404,942	29,145	25,640	8,605	2,926	(2,776)
Salaries and benefits	**145,970**	114,543	10,645	7,437	12,258	752	335
Premises and equipment	**22,770**	20,064	714	826	1,097	38	31
Other expenses	**40,905**	30,681	1,507	2,103	6,428	116	70
Operating and administrative expenses	**209,645**	165,288	12,866	10,366	19,783	906	436
Net income (loss)	**258,837**	239,654	16,279	15,274	(11,178)	2,020	(3,212)
Net income (loss) attributable to:							
BDC's shareholder	**259,773**	239,654	15,558	16,931	(11,178)	2,020	(3,212)
Non-controlling interests	**(936)**	-	721	(1,657)	-	-	-
Net income (loss)	**258,837**	239,654	16,279	15,274	(11,178)	2,020	(3,212)
Business segment portfolio at end of period	**19,313,133**	17,731,257	595,304	595,200	-	380,834	10,538

13. GUARANTEES

BDC issues "letters of credit, loan guarantees and portfolio guarantees" (guarantees) to support businesses. Those guarantees represent BDC's obligation to make payments to third parties if clients are unable to meet their contractual commitments. The total amount of available guarantees totalled $353.5 million as at September 30, 2015 ($31.7 million as at March 31, 2015). This amount is not representative of the maximum potential amount of future payments to be required for these guarantees, which is estimated to be significantly less than the available amount. Currently, there is no provision recorded, as defaults are deemed improbable.

14. COMMITMENTS

Loans

Undisbursed amounts of authorized loans were $2,465,977 as at September 30, 2015 ($530,138 fixed rate; $1,935,839 floating rate) and are expected to be disbursed within the next 12 months. The weighted average effective interest rate was 4.58% on loan commitments (4.62% as at March 31, 2015). The following tables present undisbursed amounts of authorized loans, by location and industry.

Commitments, by geographic distribution	September 30, 2015	March 31, 2015
Newfoundland and Labrador	61,448	88,431
Prince Edward Island	1,145	525
Nova Scotia	48,696	55,930
New Brunswick	24,626	22,499
Quebec	605,958	545,479
Ontario	693,553	643,218
Manitoba	70,763	67,579
Saskatchewan	68,975	66,173
Alberta	609,783	568,549
British Columbia	275,716	193,659
Yukon	3,807	2,172
Northwest Territories and Nunavut	1,507	1,026
Total	**2,465,977**	2,255,240

Commitments, by industry sector	September 30, 2015	March 31, 2015
Manufacturing	571,104	519,240
Wholesale and retail trade	372,495	319,899
Tourism	316,067	322,222
Construction	279,350	247,874
Service industries	268,034	248,614
Resources	246,739	254,214
Transportation and storage	181,289	91,765
Commercial properties	103,956	103,386
Other	126,943	148,026
Total	**2,465,977**	2,255,240

Subordinate financing

Undisbursed amounts of authorized subordinate financing investments were $63,330 as at September 30, 2015 ($24,564 fixed rate; $38,766 floating rate) and are expected to be disbursed within the next 12 months. The weighted average effective interest rate (excluding non-interest returns) was 10.21% on investment commitments (9.87% as at March 31, 2015). The following tables present undisbursed amounts of authorized investments, by location and industry.

Commitments, by geographic distribution	September 30, 2015	March 31, 2015
Newfoundland and Labrador	209	255
New Brunswick	2,000	-
Quebec	16,114	23,570
Ontario	19,000	32,556
Saskatchewan	8,400	4,400
Alberta	15,200	2,650
British Columbia	2,407	4,230
Total	63,330	67,661

Commitments, by industry sector	September 30, 2015	March 31, 2015
Service industries	24,806	16,288
Manufacturing	17,477	19,350
Wholesale and retail trade	8,225	9,832
Construction	3,950	4,780
Resources	3,300	4,800
Information industries	3,067	4,061
Educational services	600	-
Transportation and storage	300	300
Real estate and rental and leasing	205	-
Other	1,400	8,250
Total	63,330	67,661

Venture capital

Undisbursed amounts of authorized venture capital investments were $330,485 as at September 30, 2015, and were related to the following industry sectors.

Industry sector	September 30, 2015	March 31, 2015
Biotechnology and pharmacology	12,946	3,671
Information technology	7,308	3,750
Electronics	6,115	1,205
Medical and health	4,000	7,000
Industrial	500	1,000
Total direct investments	30,869	16,626
External funds	299,616	320,456
Venture capital investments	330,485	337,082

Venture capital action plan

Undisbursed amounts of authorized venture capital action plan investments were $257,755 as at September 30, 2015 ($272,979 as at March 31, 2015).

Asset-backed securities

The undisbursed amount of authorized asset-backed securities was $309,000 as at September 30, 2015 ($227,000 as at March 31, 2015).

Leases

BDC has future minimum lease commitments under operating leases related to the rental of premises.

15. RELATED PARTY TRANSACTIONS

As at September 30, 2015, BDC had $15,975.0 million outstanding in short-term notes and $178.4 million outstanding in long-term notes (excluding accrued interest) with Her Majesty the Queen in Right of Canada acting through the Minister of Finance ($15,432.0 million in short-term notes and $243.7 million in long-term notes as at March 31, 2015).

Accrued interest on borrowings included $2.8 million payable to the Minister of Finance as at September 30, 2015 ($3.9 million as at March 31, 2015).

BDC recorded $17.8 million in interest expense, related to the borrowings from the Minister of Finance, for the second quarter and $41.2 million for the six months ended September 30, 2015. Last year's comparative figures for the same period were $34.5 million and $66.8 million, respectively.

In addition, no borrowings with the Minister of Finance were repurchased in the first six months of fiscal 2016 (borrowings with the Minister of Finance repurchased resulted in a net realized loss of $0.5 million for the same period last year).

BDC is also related to all Government of Canada-created departments, agencies and Crown corporations. BDC enters into transactions with these entities in the normal course of business, under terms and conditions similar to those that apply to unrelated parties.

Business Development Bank of Canada
Head Office
5 Place Ville-Marie, Suite 300
Montreal, Quebec H3B 5E7
T 1 877 BDC-BANX (232-2269)
F 1 877 329-9232

For our business centres, please visit **www.bdc.ca**